



Department of Defense

INSTRUCTION

April 11, 1984
NUMBER 7460.2

ASD(C)

SUBJECT : Regulations Governing the Use of Management Funds

References: (a) DoD Instruction 7460.2, subject as above, November 1, 1972
(hereby canceled)
(b) Public Law 89-473, June 29, 1966
(c) Office of Management and Budget (OMB) Circular No. A-34,
"Instructions on Budget Execution, " July 1976
(d) DoD 711 0.1-M, "Budget Guidance Manual, " July 8, 1982,
authorized by DoD Instruction 7110.1, October 30, 1980
(e) through (g) , see enclosure 1

A. REISSUANCE AND PURPOSE

This Instruction reissues reference (a) and updates policy, responsibilities, and procedures for the administration of management funds.

B. APPLICABILITY

This Instruction applies to the Office of the Secretary of Defense, the Military Departments, the Organization of the Joint Chiefs of Staff, the Unified and Specified Commands, and the Defense Agencies (hereafter referred to collectively as "DoD Components") .

C. DEFINITION

Management Fund. An account authorized by law to credit collections from two or more appropriations or funds to finance activity not involving a continuing cycle of business-type operations. Such accounts generally do not own a significant amount of assets nor do they have a specified amount of capital provided (a corpus of the fund) . A management fund provides a means of interim financing and accounting for the following:

1. An operation or project that is financed by more than one appropriation or fund and whose costs cannot be distributed and charged to the financing appropriations or funds immediately, or
2. An operation or project that is established pursuant to a transfer of functions involving two or more appropriations or funds under authority of law.

D. POLICY

It is the policy of the Department of Defense that:

1. A management fund shall be used only to finance operations the costs of which are chargeable to appropriations or funds of a DoD Component. Projects may encompass participation by organizational units **of one DoD Component or of two or more DoD Components.**

2. A management fund may not be used to finance any activity that involves a continuing cycle of business-type operations, such as industrial or commercial-type activities, or to purchase materiel for stock. It may be used, however, to finance the purchase of materiel for use of an operation or project operated under a management fund.

3. A management fund may not be used to finance a new operation or project, although eligible under subsection D.1. , above, if other effective and efficient financing techniques are available. In general , appropriation reimbursements shall be used. However, industrial funds shall be used to finance industrial or commercial-type activities, and stock funds shall be used to finance the acquisition of consumable (expense-type) materiel for stock. In addition, Pub. L. 89-473 (reference (b)) and OMB Circular No. A-34 (reference (c)) allow charges to be made against an appropriation temporarily, if necessary , with an accounting adjustment to the appropriation or fund finally to be charged with the outlay.

4. Management fund accounts shall be subject to periodic internal audits.

E. RESPONSIBILITIES

1. The Deputy Assistant Secretary of Defense (Management Systems), Office of the Assistant Secretary of Defense (Comptroller) , shall:

a. Ensure that a management fund is established or continued only when there is no other effective and efficient financing technique available to accomplish the proposed operation or project.

b. Review , and evaluate proposed management fund charters or amendments and recommend to the Assistant Secretary of Defense (Comptroller) (ASD(C)) the establishment or continuance of a management fund account.

2. The Heads of DoD Components shall:

a. Propose use of a management fund as a financing technique, when considered appropriate, in accordance with the provisions of this Instruction.

b. Oversee compliance with this Instruction regarding its provision for budgeting, financing, accounting, and reporting for management fund accounts in use by their Component.

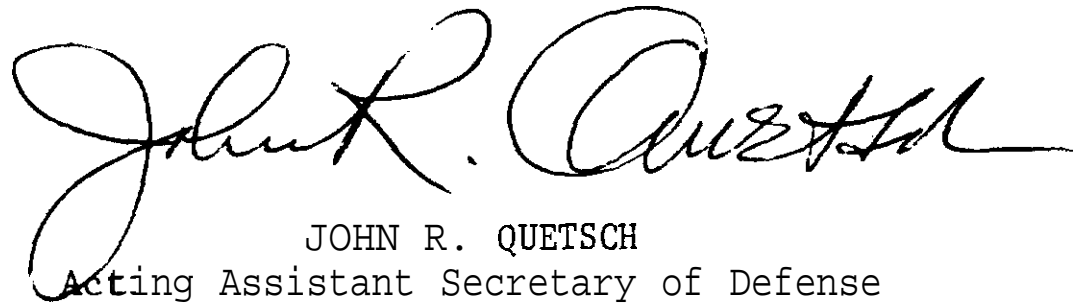
F. PROCEDURES

All DoD Components shall follow the procedures prescribed in enclosure 2.

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G. EFFECTIVE DATE AND IMPLEMENTATION

This Instruction is effective immediately. Enclosure 2 constitutes implementing procedures for this Instruction.

A handwritten signature in cursive script, reading "John R. Quetsch".

JOHN R. QUETSCH
Acting Assistant Secretary of Defense
(Comptroller)

Enclosures - 3

1. References
2. Procedures
3. Uniform Format for Management
Fund Account Charters

REFERENCES, continued

- (e) DoD Directive 7200.1, "Administrative Control of Appropriations,"
November 15, 1978
- (f) DoD 7220.9-M, " Accounting Manual," October 1983, authorized by
DoD Instruction 7220.9, October 22, 1981
- (g) DoD Directive 5000.19, "Policies for the Management and Control
of Information Requirements," March 12, 1976

PROCEDURES

A. APPROVAL OF CHARTERS AND MANAGEMENT FUND ACCOUNTS

A separate administrative account, called a management fund account, shall be established for each operation or project that is to be financed by a management fund. This account shall be established only with the approval of the ASD(C). As a basis for approval of a management fund account, a proposed charter and explanation of the reasons for the use of the management fund as the means of financing the operation or project shall be submitted to the ASD(C).

1. The proposed charter shall be prepared in the uniform format prescribed in enclosure 3. If a Military Department is to be responsible for administration of the account, the proposed charter shall be submitted in an original and three copies over the signature of either the Secretary, Under Secretary, or an Assistant Secretary of the Military Department. A proposed charter submitted by a Defense Agency shall be signed by the Director or Deputy Director of the Agency concerned. When appropriations or funds of more than one DoD Component are to share in the financing of a proposed account, the concurrence of each DoD Component involved shall be evidenced by the signature of the Component comptroller or an equivalent official.

2. The scope of operations of a management fund account, as prescribed in the charter, shall not be exceeded. However, the basic provisions of a charter may be changed by submitting a proposed charter amendment in the same manner as an original charter application.

3. The ASD(C) shall evidence approval of a charter or an amendment by executing the original and a duplicate. The executed duplicate shall be returned to the applicable DoD Component as its authority to commence operations subject to availability of funds. The original shall be retained in the official files of the ASD(C).

B. DISCONTINUANCE OF A MANAGEMENT FUND ACCOUNT

When a management fund account is to be discontinued, the managing DoD Component shall submit a termination notice to the ASD(C) stating the reason for discontinuing the account and the estimated date of final liquidation.

C. BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

1. Rudgets and Financial Plans

a. Annual budget estimates shall be prepared for each management fund in accordance with DoD 7110.1-M (reference (d)).

b. An operating budget or financial plan shall be prepared annually and updated quarterly by the managing DoD Component for each management fund account in a format appropriate for management planning and control purposes. A copy of the operating budget or financial plan for an operation or project shall be submitted with the request for approval of an account charter. When required for purposes of obtaining advances or for guidance in estimating appropriation or fund requirements, copies of operating budgets or financial plans also shall be furnished to participating DoD Components or their organizational subdivisions.

2. Financing and Administrative Control of Funds

a. Obligational authority for the conduct of operations under a management fund account is provided by reimbursable orders, either with or without advances, whichever may be appropriate. The reimbursable orders may be issued in periodic increments to lessen the administrative workload and they shall specify the accounting classifications to be used for billing purposes.

b. The management fund shall be controlled administratively in accordance with DoD Directive 7200.1 (reference (e)). No obligation may be incurred against a management fund that is not chargeable to a specific order and the appropriation or fund supporting that order.

3. Billing and Payment

a. Management fund outlays shall be charged to appropriations or funds as prescribed in the account charter and specified in the reimbursable order.

b. Billing and payment shall be accomplished by Standard Form (SF) 1081, "Voucher and Schedule of Withdrawals and Credits." In the case of financing by means of advances, the advances shall be accomplished by SF 1081 prepared and processed as of the beginning of the period covered by the advance. In all cases, however, the DoD Component responsible for the management fund account shall submit monthly bills to participating organizations to permit them to charge appropriate accounts and record the reduction in the advance accounts, as well as to permit the managing DoD Component to adjust its own accounts.

4. Accounting and Reporting. Financial transactions shall be classified under each management fund account in enough detail to meet management planning and control requirements. The principles, standards, and requirements in DoD 7220.9-M (reference (f)) shall apply to the accounting and reporting systems. Reference (f) provides for the recording and reporting of the source, application, and status of funds. Additional financial reporting that may be needed by participating organizations for management purposes shall be specified in the management fund account charters and shall conform with the provisions of DoD Directive 5000.19 (reference (g)).

UNIFORM FORMAT FOR MANAGEMENT FUND ACCOUNT CHARTERS

A. IDENTIFICATION OF MANAGEMENT FUND ACCOUNT

The proposed charter shall be numbered serially within each Military Department or the Office of the Secretary of Defense, and the management fund account shall be identified by a brief but descriptive title. Serial numbers shall be reserved for existing management fund accounts; thus, if a Military Department has three active management fund accounts, the next proposed charter will be No. 4. A reference also shall be made to this Instruction as authority for the management fund account.

B. PURPOSE

A brief but complete description of the operation or project to be financed by the management fund shall be included in this section.

C. PARTICIPATING ORGANIZATIONS

The organizational units within the managing Military Department or Defense Agency and the organizations in the other Military Departments or Defense Agencies that will participate in the operation or project shall be identified in this section.

D. ADMINISTRATION

The following information shall be included in this section:

1. The name and location of the organization or office that will be responsible for management and direction of the operation or project.
2. The location of the accounting and other administrative records.
3. The location of the principal place of business, if different from subsections D.1., and D.2., above.
4. Special provisions concerning administrative and logistic support.

E. BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

The following information shall be included in this section:

1. Arrangements for the preparation and submission of operating budgets or financial plans.
2. Provisions for financing, that is, by reimbursement with or without advances; provisions for determining and allocating costs when appropriate; and provisions for the return of unexpended balances of advances.
3. The management fund title and symbol.

4. A brief description of the system of accounts and of the system of internal control, including administrative control over funds.

5. The nature of the expenses chargeable to the operation or project.

6. Reporting policies and procedures.

F. TERM AND DURATION OF THE ACCOUNT

This section shall specify the commencement date and the termination date of the operation or project or, for an operation or project of indefinite duration, the conditions under which the operation or project will terminate.

REQUESTED:

(Signature of appropriate official
of the managing DoD Component)

CONCURRED :

(Signature of appropriate official
of participating DoD Component)

(Signature of appropriate official
of participating DoD Component)

APPROVED:

(Date)

Assistant Secretary of Defense
(Comptroller)